

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY
Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)**

**FINANCIAL STATEMENTS
June 30, 2010**

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Independent Auditor's Report

The Board of Supervisors
County of Fairfax, Virginia

The Board of Commissioners
Fairfax County Redevelopment and Housing Authority

We have audited the accompanying statements of net assets, revenues, expenses and changes in net assets, and cash flows of the Rental Program – Hopkins Glen (Project No. 000-55020-LDP) (the Project) of the Fairfax County Redevelopment and Housing Authority (the Authority) as of and for the year ended June 30, 2010 as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Project's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Virginia Housing Development Authority's *Mortgagor/Grantee's Audit Guide*. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the accounts of the Project and do not purport to, and do not, present fairly the financial position of the Authority as of June 30, 2010, and the results of its operations and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Project at June 30, 2010, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2010 on our consideration of the Project's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 - 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Project's basic financial statements. The supplemental information on pages 16 – 21, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Clifton Henderson LLP".

Baltimore, Maryland
September 29, 2010

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)
MANAGEMENT’S DISCUSSION AND ANALYSIS
Year Ended June 30, 2010

Introduction

The Fairfax County Redevelopment and Housing Authority (FCRHA) is a political subdivision of the Commonwealth of Virginia and is empowered to implement housing, community development, redevelopment, and revitalization programs within Fairfax County as well as towns, cities, and counties with which it has cooperation agreements. The Fairfax County Board of Supervisors created the Department of Housing and Community Development (DHCD) to act as the development and administrative agency for the FCRHA and the Board in meeting the housing and community development needs of the County’s low and moderate income residents.

The FCRHA presents this discussion and analysis of its rental program – Hopkins Glen, Project No. 000-55020-LDP (the Project) for the fiscal year ended June 30, 2010, to assist the reader in focusing on significant financial issues. The Project consists of 91 rental units and is included in the overall Fairfax County Rental Program.

The Project’s Financial Highlights for Fiscal Year 2010 (FY 2010)

In summary, the Project’s FY 2010 financial highlights include the following:

- At June 30, 2010, total assets and liabilities were approximately \$1.43 million and \$1.58 million, respectively, resulting in a deficit in total net assets of approximately \$.14 million. The Project’s unrestricted net assets showed a deficit of \$934,340 due to approximately \$1 million in cash advances from the FCRHA to fund project operations.
- Total revenues and expenses were \$828,753 and \$792,687, respectively; thus, total net assets increased by \$36,066.
- Cash flows from operating activities amounted to \$173,982. After considering investing, capital, and related financing activities, total cash increased by \$97,792.

Project Financial Statements

This discussion and analysis presents the Project’s FY 2010 financial results in three financial statements – the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The FY 2010 financial results are also compared to FY 2009, thus allowing the readers to ascertain the reasons for changes in revenues, expenses, and net asset balances. These financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)
MANAGEMENT’S DISCUSSION AND ANALYSIS
Year Ended June 30, 2010

Summary of Net Assets

The Project’s Statement of Net Assets, which is similar to a balance sheet, reports all financial and capital assets of the Project and is presented in a format where assets, minus liabilities, equal net assets. The following table presents condensed statements of net assets as of June 30, 2010 and 2009.

Table 1
Summary of Net Assets (Deficit)

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>
Current and other assets	\$ 527,480	\$ 408,252	\$ 119,228
Capital assets	<u>906,201</u>	<u>984,898</u>	<u>(78,697)</u>
Total assets	<u>1,433,681</u>	<u>1,393,150</u>	<u>40,531</u>
Current liabilities	1,228,661	1,168,296	60,365
Non-current liabilities	<u>349,500</u>	<u>405,400</u>	<u>(55,900)</u>
Total liabilities	<u>1,578,161</u>	<u>1,573,696</u>	<u>4,465</u>
Net assets (deficit):			
Invested in capital assets, net of related debt	500,801	528,528	(27,727)
Restricted	289,059	246,446	42,613
Unrestricted	<u>(934,340)</u>	<u>(955,520)</u>	<u>21,180</u>
Total net assets (deficit)	<u><u>\$ (144,480)</u></u>	<u><u>\$ (180,546)</u></u>	<u><u>\$ 36,066</u></u>

The Project’s net assets increased by \$36,066 in FY 2010. The increase was \$44,050 more than the net assets’ decrease in FY 2009. The improvement is primarily due to increases in operating revenues greater than operating expenses in FY 2010.

Summary of Revenues, Expenses, and Changes in Net Assets

The Project’s Statement of Revenues, Expenses, and Changes in Net Assets includes operating revenues, such as rental income; operating expenses, such as personnel services, utilities, repairs and maintenance, and depreciation; and non-operating revenue and expenses, such as investment income and interest expense. The statements reported an increase in net assets of \$36,066 in FY 2010. Table 2 presents a condensed summary of the Project’s revenues, expenses, and changes in net assets.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)
MANAGEMENT’S DISCUSSION AND ANALYSIS
Year Ended June 30, 2010

Table 2
Summary of Revenues, Expenses, and Changes in Net Assets

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>
Revenues			
Operating revenues	\$ 828,033	\$ 747,237	\$ 80,796
Non-operating revenues	<u>720</u>	<u>1,520</u>	<u>(800)</u>
Total revenues	<u>828,753</u>	<u>748,757</u>	<u>79,996</u>
Expenses			
Operating expenses	774,319	736,650	37,669
Non-operating expenses	<u>18,368</u>	<u>20,091</u>	<u>(1,723)</u>
Total expenses	<u>792,687</u>	<u>756,741</u>	<u>35,946</u>
Changes in net assets	36,066	(7,984)	44,050
Total net assets, beginning of year	<u>(180,546)</u>	<u>(172,562)</u>	<u>(7,984)</u>
Total net assets, end of year	<u>\$ (144,480)</u>	<u>\$ (180,546)</u>	<u>\$ 36,066</u>

In FY 2010, the Project’s operating revenues increased due to rent increases, and non-operating revenues decreased due to a decrease of interest income. Operating expenses include administrative expenses related to personnel salaries and employee fringe benefit contributions, auditing costs, management fees, office supplies, utilities, depreciation, and repairs and maintenance expense. Operating expenses increased by \$37,669 due primarily to an increase in repair and maintenance costs.

Capital Assets and Debt Administration

Capital assets. The Project’s capital assets as of June 30, 2010, included land, buildings and improvements, and equipment that totaled \$2,455,069, net of accumulated depreciation of \$1,548,868. For further details, see Note 2, page 12, Capital Assets.

Long-term debt. Changes in the Project’s long-term debt during FY 2010 can be seen in Note 3, pages 12-13, Mortgage and Notes Payable.

Contacting FCRHA Management

This financial report is designed to provide the citizens of the County, taxpayers, tenants, and investors and creditors with a general overview of the Project’s finances and to demonstrate the Project’s accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Director, Financial Management Division, Department of Housing and Community Development, 3700 Pender Drive, Suite 300, Fairfax, Virginia, 22030.

FINANCIAL STATEMENTS

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)
STATEMENT OF NET ASSETS
June 30, 2010

ASSETS

CURRENT ASSETS

Cash in bank	\$ 142,981
Accounts receivable (net of allowance for uncollectible accounts of \$3,496)	<u>26,947</u>
Total current assets	<u>169,928</u>

RESTRICTED ASSETS

Deposits held in trust	55,033
Reserves and mortgage escrow deposits	<u>289,059</u>
Total restricted assets	<u>344,092</u>

CAPITAL ASSETS (Note 2)

Nondepreciable:	
Land	41,969
Depreciable:	
Buildings and improvements	2,359,159
Equipment	53,941
Accumulated depreciation	<u>(1,548,868)</u>
Total capital assets, net	<u>906,201</u>

OTHER NON-CURRENT ASSETS

Deferred financing fees (net of amortization of \$15,941)	<u>13,460</u>
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TOTAL ASSETS

\$ 1,433,681

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 98,049
Due to the Authority (Note 5)	1,000,564
Deposits held in trust	55,033
Deferred revenue	4,836
Accrued compensated absences (Note 4)	14,279
Mortgage and notes payable (Note 3)	<u>55,900</u>
Total current liabilities	1,228,661

NON-CURRENT LIABILITIES

Mortgage and notes payable (Note 3)	<u>349,500</u>
Total liabilities	<u>1,578,161</u>

NET ASSETS

Invested in capital assets, net of related debt	500,801
Restricted net assets	289,059
Unrestricted net assets (deficit)	<u>(934,340)</u>
Total net assets (deficit)	<u>(144,480)</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 1,433,681

The accompanying notes are an integral part of the financial statements.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended June 30, 2010

OPERATING REVENUES

Dwelling rentals	\$ 775,007
Other	<u>53,026</u>

Total operating revenues	<u>828,033</u>
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OPERATING EXPENSES

Personnel services	164,665
Utilities	139,141
Repairs and maintenance	267,640
Other supplies and expenses	114,479
Depreciation and amortization	<u>88,394</u>

Total operating expenses	<u>774,319</u>
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Net operating income	<u>53,714</u>
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NONOPERATING REVENUES (EXPENSES)

Interest revenue	720
Interest expense	<u>(18,368)</u>

Total nonoperating expenses, net	<u>(17,648)</u>
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CHANGE IN NET ASSETS	36,066
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TOTAL NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(180,546)</u>
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TOTAL NET ASSETS (DEFICIT), END OF YEAR	<u><u>\$ (144,480)</u></u>
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The accompanying notes are an integral part of the financial statements.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)
STATEMENT OF CASH FLOWS
Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Rental income received	\$ 754,005
Other operating revenues received	53,026
Payments to employees for services	(159,804)
Payments to suppliers for goods and services	(476,257)
Net tenant security deposits received	<u>3,013</u>

Net cash provided by operating activities	<u>173,983</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES

Purchases of capital assets	(7,572)
Principal payments on mortgage and notes payable	(50,970)
Interest payments on mortgage and notes payable	<u>(18,368)</u>

Net cash used in capital and related financing activities	<u>(76,910)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>720</u>
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NET INCREASE IN CASH	97,793
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CASH, BEGINNING OF YEAR	<u>389,281</u>
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CASH, END OF YEAR	<u>\$ 487,074</u>
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**RECONCILIATION OF NET OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Net operating income	\$ 53,714
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation and amortization	88,394
Effects of changes in operating assets and liabilities:	
Tenant accounts receivable	(23,562)
Accounts payable and accrued liabilities	49,863
Deposits held in trust	3,013
Deferred revenue	<u>2,560</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 173,982</u></u>
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The accompanying notes are an integral part of the financial statements.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fairfax County Redevelopment and Housing Authority (the Authority), Rental Program – Hopkins Glen, No. 000-55020-LDP (the Project) buildings were acquired by the Authority along with the land lease in exchange for the Authority's assumption of the Regulatory Agreement and the original mortgage note (see Note 3, page 12). The original land lease is for a period of 79 years from the date of the Regulatory Agreement. Payments under the land lease are approximately \$13,000 per year and are adjusted for inflation every five years. At the end of the lease term, all structures of the Project revert to the land owners. The Authority is a component unit of the County of Fairfax, Virginia (the County).

The accompanying financial statements present only the financial position and changes in financial position and cash flows of the Project and are not intended to present fairly the financial position, changes in financial position and cash flows of the Authority as a whole in conformity with U.S. generally accepted accounting principles (GAAP).

The accounting policies of the Project conform to GAAP as applicable to proprietary fund types of governmental units. The following is a summary of the Project's more significant accounting policies.

Measurement Focus and Basis of Accounting

The activities of the Project are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Project applies all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or prior to November 30, 1989 unless these pronouncements conflict with pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of external financial reporting in accordance with GAAP, the Project is following the reporting guidance set forth in GAAP for "departmental" financial statements.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash in Bank

Cash in bank is maintained in a separate account for project operations and is fully insured and collateralized.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

Restricted deposits and reserves represent amounts held by the mortgage servicer pursuant to the HUD regulatory agreement. Additionally, such balances include tenant security deposits along with the corresponding accrued interests, and other refinancing related escrows. All amounts are fully insured and collateralized. Such restricted assets have been included in cash for purpose of the Statement of Cash Flows.

Compensated Absences

Employees of the Project are granted vacation and sick leave based on their length of service. Unused vacation leave is payable to employees upon termination based on the employees' current rate of pay, up to certain limits. Sick leave does not vest with the employee. Accumulated vacation is recorded as an expense and an accrued liability as the benefits accrue to employees. The liability calculations include an accrual at the current rate for ancillary salary – related payments (e.g., employer's share of social security taxes). All amounts are included as a current liability as the Project expects all amounts accrued at June 30, 2010 to be liquidated in FY 2011.

Revenue Recognition

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance are deferred until earned. Grant revenues received in advance of satisfying all requirements are reported as deferred revenue.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and construction in progress are reported in the financial statements at cost when purchased and at estimated fair value when donated. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Capital assets are recorded at cost when purchased and at fair market value when donated. Depreciation has been provided for in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated useful lives using the straight-line method. The estimated useful lives range from 5 to 27.5 years.

Deferred Financing Fees

Financing fees associated with the SunTrust note (see Note 3, page 12) have been deferred and are being amortized on a straight-line basis over the term of the note.

Operating Revenues and Expenses

The Project's policy is to report all Project revenues as operating with the exception of interest revenues and interest expense.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New GASB Pronouncement

In fiscal year 2010, the Project implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The implementation of these new standards had no impact on the Project's fiscal year 2010 financial statements.

NOTE 2 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 41,969	\$ -	\$ -	\$ 41,969
Capital assets being depreciated:				
Buildings and improvements	2,359,159	-	-	2,359,159
Equipment	<u>46,369</u>	<u>7,572</u>	<u>-</u>	<u>53,941</u>
Total capital assets	<u>2,447,497</u>	<u>7,572</u>	<u>-</u>	<u>2,455,069</u>
Less accumulated depreciation:				
Buildings and improvements	(1,416,896)	(82,257)	-	(1,499,153)
Equipment	<u>(45,703)</u>	<u>(4,012)</u>	<u>-</u>	<u>(49,715)</u>
Total accumulated depreciation	<u>(1,462,599)</u>	<u>(86,269)</u>	<u>-</u>	<u>(1,548,868)</u>
Capital assets, net	<u><u>\$ 984,898</u></u>	<u><u>\$ (78,697)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 906,201</u></u>

NOTE 3 – MORTGAGE AND NOTES PAYABLE

On July 12, 1984, the Authority assumed the Regulatory Agreement and Deed of Trust, dated July 1, 1968, from the previous owners of the Hopkins Glen housing development along with a mortgage note in the original amount of \$1,112,000, bearing interest at 3%, with final payment due April 1, 2010. The mortgage loan was paid in full April 2010. The Authority made monthly principal and interest payments of \$4,073. The mortgage was guaranteed by HUD and the fixed assets of the Project were pledged as security for the mortgage note. The Project maintained certain restricted deposits and funded reserves as required by HUD. Upon final payment of the mortgage loan, the mortgagee released the restricted deposits and reserves to the Project. The Project deposited these funds into new restricted deposits and funded reserve accounts at United Bank.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 – MORTGAGE AND NOTES PAYABLE (CONTINUED)

On December 1, 2002, the Authority closed on a \$475,000 tax-exempt “bank qualified” loan from Sun Trust Bank. The note bears interest at a fixed rate of 4.33% per annum. Principal and interest payments are due on the first of each month commencing on January 1, 2003. The note matures on October 1, 2016.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
First mortgage note	\$ 40,170	\$ -	\$ (40,170)	\$ -	\$ -
SunTrust note	416,200	-	(10,800)	405,400	55,900
Total	<u>\$ 456,370</u>	<u>\$ -</u>	<u>\$ (50,970)</u>	<u>\$ 405,400</u>	<u>\$ 55,900</u>

The aggregate amount of required principal and interest payments on the mortgage and notes as of June 30, 2010 is \$464,448 and is due as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending June 30:		
2011	\$ 55,900	\$ 16,526
2012	60,000	13,943
2013	61,800	11,319
2014	64,400	8,589
2015	67,800	5,736
2016-2017	<u>95,500</u>	<u>2,935</u>
Total	<u>\$ 405,400</u>	<u>\$ 59,048</u>

NOTE 4 – CHANGES IN COMPENSATED ABSENCES PAYABLE

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences payable	\$ 9,419	\$ 14,279	\$ (9,419)	\$ 14,279	\$ 14,279

NOTE 5 – DUE TO THE AUTHORITY

Due to the Authority represents \$1,000,564 borrowed from the Authority to fund Project operations. During 2010, there were no amounts repaid to the Authority or additional cash advances from the Authority. Such debt is noninterest bearing and is due on demand.

NOTE 6 – MANAGEMENT OF PROJECT

The Project is managed by an unrelated management company pursuant to management agreement. The management company is paid a fee for its services, which amounts to approximately 3% of rental receipts. Such fees amounted to \$18,223 in 2010 and are reported in other supplies and expenses on the Statement of Revenues, Expenses, and Changes in Net Assets. Additionally, the management company is reimbursed for operating costs associated with managing the property. Such costs include a reimbursement for certain salary and related expenses of employees of the management company.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 7 – RISK MANAGEMENT

The Project is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and citizens, and natural disasters. For all of these risks, the Project participates in the County's insurance program, which includes self-insurance and the purchase of certain commercial insurance policies, the costs of which are borne by the County. There were no claims settlements in excess of insurance coverage in any of the past three fiscal years. Information regarding the County's self-insurance internal service fund is available in the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010.

NOTE 8 – SUPPLEMENTAL INFORMATION

The supplemental information that is included on pages 16-21 is presented in accordance with HUD requirements. As a result of these requirements, line item classifications may differ from amounts reported on the Statement of Revenues, Expenses and Changes in Net Assets, however, revenue and expenses will agree in total.

SUPPLEMENTARY INFORMATION

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)
SUPPLEMENTARY SCHEDULES AS REQUIRED BY HUD
June 30, 2010

The following supplementary information is presented for the purpose of additional analysis:

Reserve for Replacements

In accordance with the provisions of the Regulatory Agreement, restricted cash was held by Prudential Huntoon Paige Associates and HUD where such funds were to be used for replacement of property with the approval of HUD. These funds were released to the Project upon payoff of the insured mortgage loan. The Project deposited these funds into an account held at United Bank.

Balance, June 30, 2009	\$ 201,882
Monthly deposits	45,689
Interest earned	<u>561</u>

Balance with mortgagee, June 30, 2010	<u>\$ 248,132</u>
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Mortgage Escrow Deposits

In accordance with the provisions of the Regulatory Agreement, mortgage escrow deposits were held by Prudential Huntoon Paige Associates for the payment of property taxes. These funds were released to the Project upon pay off of the insured mortgage loan. The Project deposited these funds into an account held at United Bank.

Balance, June 30, 2009	\$ 44,564
Deposits	25,068
Withdrawals	<u>(28,705)</u>

Balance with mortgagee, June 30, 2010	<u>\$ 40,927</u>
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Other Information

Total mortgage principal payments required during the audit year (12 monthly payments), applied to all direct loans and HUD-held and fully insured mortgages, any HUD-approved second mortgages are included.

\$ 50,970

Total of 9 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments are temporarily suspended or reduced.

\$ 45,689

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)
SUPPLEMENTARY SCHEDULES AS REQUIRED BY HUD
Year Ended June 30, 2010

**Computation of Surplus Cash,
Distributions, and Residual
Receipts**

**U.S. Department of Housing
and Urban Development**

Office of Housing
Federal Housing Commissioner

Project Name Hopkins Glen	Fiscal Period Ended: June 30, 2010	Project Number HUD Project No: 000-55020-LDP
Part A – Compute Surplus Cash		
Cash		
1. Cash (Accounts 1110, 1120, 1191, 1192)	\$ 198,014	
2. Tenant subsidy vouchers due for period covered by financial statement	\$ —	
3. Other (describe)	\$ —	
(a) Total Cash (Add Lines 1, 2, and 3)		\$ 198,014
Current Obligations		
4. Accrued mortgage interest payable	\$ 1,465	
5. Delinquent mortgage principal payments	\$ —	
6. Delinquent deposits to reserve for replacements	\$ —	
7. Accounts payable (due within 30 days)	\$ 2,113	
8. Loans and notes payable (due within 30 days)	\$ —	
9. Deficient Tax Insurance or MIP Escrow Deposits	\$ —	
10. Accrued expenses (not escrowed)	\$ 108,750	
11. Prepaid Rents (Account 2210)	\$ 4,836	
12. Tenant security deposits liability (Account 2191)	\$ 55,033	
13. Other (Describe) – Due to Authority	\$ 1,000,564	
14. Other deferred revenue	\$ —	
(b) Less Total Current Obligations (Add Lines 4 through 14)		\$ 1,172,761
(c) Surplus Cash (Deficiency) (Line (a) minus Line (b))		\$ (974,747)
Part B – Compute Distributions to Owners and Required Deposit to Residual Receipts		
1. Surplus Cash		\$
Limited Dividend Projects		
2a. Annual Distribution Earned During Fiscal Period Covered by the Statement	\$ —	
2b. Distribution Accrued and Unpaid as of the End of the Prior Fiscal Period	\$ —	
2c. Distributions Paid During Fiscal Period Covered by Statement	\$ —	
3. Amount to be Carried on Balance Sheet as Distribution Earned but Unpaid (Line 2a plus 2b minus 2c)	\$ —	
4. Amount Available for Distribution During Next Fiscal Period		\$ —
5. Deposit Due Residual Receipts (Must be deposited with Mortgagee within 60 days after Fiscal Period ends)		\$ —
Prepared By		Reviewed By
Loan Technician	Date	Loan Servicer
		Date

form HUD-93486 (12-80)

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)
SCHEDULE OF REVENUES AND EXPENSES
Year Ended June 30, 2010

Description of Account	Acct. No.	Amount
Part I - Rental Income - 5100:		
Apartments or member carrying charges (coops)	5120	\$ 792,672
Tenant assistance payments	5121	-
Furniture and equipment	5130	-
Stores and commercial	5140	-
Garage and parking spaces	5170	-
Flexible subsidy income	5180	-
Miscellaneous (specify)	5190	-
		<hr/>
Total rental income		792,672
		<hr/>
Vacancies - 5200:		
Apartments	5220	(17,665)
Furniture and equipment	5230	-
Stores and commercial	5240	-
Garage and parking spaces	5270	-
Miscellaneous (specify)	5290	-
		<hr/>
Total vacancies		(17,665)
		<hr/>
Net rental revenue		775,007
		<hr/>
Elderly and Congregate Services income - 5300:		
Total service income (schedule attached)	5300	-
		<hr/>
Financial revenue:		
Interest income – project operations	5410	159
Income from investments – residual receipts	5430	-
Income from investments – reserve for replacement	5440	561
Income from investments – miscellaneous	5490	-
		<hr/>
Total financial revenue		720
		<hr/>
Other revenue - 5900:		
Laundry and cleaning	5910	19,894
NSF and late fees	5920	536
Damages and cleaning fees	5930	3,305
Forfeited tenant security deposits	5940	-
Other revenue	5990	29,291
		<hr/>
Total other revenue		53,026
		<hr/>
Total revenue		828,753
		<hr/>

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)
SCHEDULE OF REVENUES AND EXPENSES
Year Ended June 30, 2010

Description of Account	Acct. No.	Amount
Administrative expenses - 6200/6300:		
Advertising	6210	\$ -
Other administrative expense	6250	10,580
Office salaries	6310	2,698
Office supplies	6311	9,201
Office or model apartment rent	6312	7,464
Management fees	6320	18,223
Manager or superintendent salaries	6330	47,329
Manager or superintendent rent free unit	6331	-
Legal expenses – project	6340	1,505
Audit expense – project	6350	6,050
Bookkeeping fees/accounting service	6351	-
Telephone and answering service	6360	4,878
Bad debts	6370	3,496
Miscellaneous administrative expenses (specify)	6390	16,393
Total administrative expenses		<u>127,817</u>
Utilities expense – 6400:		
Fuel oil/coal	6420	
Electricity (light and misc. power)	6450	54,858
Water	6451	36,754
Gas	6452	47,529
Sewer	6453	-
Total utilities expense		<u>139,141</u>
Operating and maintenance expenses:		
Janitor and cleaning payroll	6510	16,138
Janitor and cleaning supplies	6515	1,556
Janitor and cleaning contract	6517	8,950
Exterminating payroll/contract	6519	4,694
Exterminating supplies	6520	-
Garbage and trash removal	6525	15,177
Security payroll/contract	6530	1,661
Grounds payroll	6535	-
Grounds supplies	6536	811
Grounds contract	6537	21,130
Repairs payroll	6540	69,198
Repairs material	6541	18,035
Repairs contract	6542	106,852
Elevator maintenance/contract	6545	-
Heating/cooling repairs and maintenance	6546	42,909
Swimming pool maintenance/contract	6547	-
Snow removal	6548	16,512
Decorating payroll/contract	6560	22,861
Decorating supplies	6561	3,437
Other	6570	-
Miscellaneous operating and maintenance expenses	6590	3,055
Total operating and maintenance expenses		<u>352,976</u>

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)
SCHEDULE OF REVENUES AND EXPENSES
Year Ended June 30, 2010

Description of Account	Acct. No.	Amount
Taxes and insurance - 6700:		
Real estate taxes	6710	\$ 33,171
Payroll taxes (FICA)	6711	21,447
Miscellaneous taxes, licenses, permits, and insurance	6719	1,059
Property and liability insurance (hazard)	6720	-
Fidelity Bond Insurance	6721	-
Workmen's compensation	6722	2,459
Health insurance and other employee benefits	6723	7,855
Other insurance (specify)	6729	-
		<u>65,991</u>
Total taxes and insurance		<u>65,991</u>
Financial expenses - 6800:		
Interest on mortgage payable	6820	18,368
Mortgage insurance premium/service charge	6850	-
		<u>18,368</u>
Total financial expenses		<u>18,368</u>
Elderly and congregate service expenses - 6900:		
Total service expenses (schedule attached)	6900	-
		<u>704,293</u>
Total cost of operations before depreciation and amortization		<u>704,293</u>
Profit and loss before depreciation		<u>124,460</u>
Depreciation and amortization:		
Depreciation	6600	86,269
Amortization	6700	2,125
		<u>88,394</u>
Total depreciation and amortization		<u>88,394</u>
Total expenses		<u>792,687</u>
NET PROFIT OR (LOSS)		<u>\$ 36,066</u>

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)
SCHEDULE OF CHANGES IN CAPITAL ASSET ACCOUNTS
Year Ended June 30, 2010

	Capital assets			Accumulated depreciation					Net Book Value
	Balance June 30, 2009	Additions	Disposals	Balance June 30, 2010	Balance June 30, 2009	Current Provision	Disposals	Balance June 30, 2010	
Land	\$ 41,969	\$ -	\$ -	\$ 41,969	\$ -	\$ -	\$ -	\$ -	\$ 41,969
Buildings and improvements	2,359,159	-	-	2,359,159	1,416,896	82,257	-	1,499,153	860,006
Equipment	46,369	7,572	-	53,941	45,703	4,012	-	49,715	4,226
Total	<u>\$ 2,447,497</u>	<u>\$ 7,572</u>	<u>\$ -</u>	<u>\$ 2,455,069</u>	<u>\$ 1,462,599</u>	<u>\$ 86,269</u>	<u>\$ -</u>	<u>\$ 1,548,868</u>	<u>\$ 906,201</u>

**Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Board of Supervisors
County of Fairfax, Virginia

United States Department of Housing
and Urban Development

The Board of Commissioners
Fairfax County Redevelopment and Housing Authority

We have audited the financial statements of the Rental Program – Hopkins Glen (Project No. 000-55020-LDP) (the Project) of the Fairfax County Redevelopment and Housing Authority (the Authority) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Mortgagor/Grantee's Audit Guide*, issued by the Virginia Housing Development Authority.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Project's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Supervisors of Fairfax County, Virginia, the Board of Commissioners of the Fairfax County Redevelopment and Housing Authority, the Project's management, and the Virginia Housing Development Authority and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Baltimore, Maryland
September 29, 2010